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STOCKS OF DAIRY PRODUCTS CURRENTLY BELOW A YEAR EARLIER

The Dairy Situation, Economic Research Service USDA, November, 1963

As of September 30, 1963, stocks of major manufactured dairy products except butteroil were below a year earlier. Large amounts of Government butter holdings have been converted to butteroil. Butteroil (and ghee) held by the Government at the end of September was an estimated 119 million pounds (butter equivalent), making total stocks of dairy products (Government and commercial) in terms of milk equivalent, about 14.1 billion pounds, or 5 percent below a year earlier. Storage stocks of dairy products varied considerably by months during the year, reaching the usual seasonal peak in midsummer around the first of August, after recording a seasonal low in the early part of the year, late January or February.

The seasonal buildup of stocks of dairy products was less this year than last, although end-of-July stocks were a record 16.1 billion pounds milk equivalent. Stocks declined in August and September and are expected to decline to 10½ billion pounds of milk equivalent by the end of 1963, from 12.7 billion pounds a year earlier. In 1964 total domestic disappearance and exports of dairy products are expected again to exceed production and imports, and result in a further decline in stocks by

the year-end.

Total dairy product stocks include commercial stocks of manufactured dairy products and cream plus reported Government holdings of butter, butteroil, cheese, and nonfat dry milk. Government inventories are held chiefly by the Department of Agriculture, but small amounts also are in the hands of the Armed Services and other agencies. Butteroil and nonfat dry milk quantities in Government hands are based on records of operating agencies. These supplies represent quantities to which CCC has acquired title (or contracted to convert to butteroil, in the case of butter), less quantities delivered to buyers and other recipients. Storage holdings differ from USDA uncommitted stocks in that the latter represent Government price support purchases less sales or donation commitments.

At the end of August 1963, commercial stocks were 5.7 billion pounds of milk equivalent compared with 5.9 billion pounds a year earlier. But stocks at the beginning of the year were 0.6 billion pounds lower than the beginning of 1962. Thus, the industry's additional stock accumulation of 0.4 billion pounds accounts for some of the decrease of CCC pur-

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Continued Large Milk Output In 1964

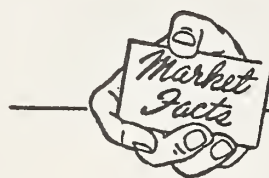
The Dairy Situation, Economic Research Service
USDA, November, 1963

Total milk output in 1964 may equal the 125 billion pounds in prospect for 1963, but probably will not exceed the record production of 125.9 billion pounds reached in 1962. A moderate increase in production per cow to a record-high level and a continued decline in cow numbers in 1964 appear likely.

The present downturn in production from year earlier levels began in second-half 1962. The major economic factor affecting milk production in this period was the beef cattle-milk price relationship. Milk prices in 1962 were lower than a year earlier, and in later 1962 the price of beef cattle was at the highest level since 1958. Adverse weather conditions in a number of important dairy areas checked expected increases in 1962 and 1963. Another important factor in 1963 was favorable general economic conditions and availability of off-farm employment opportunities. Milk production from January through October was 105.9 billion pounds, 0.9 percent below the same period in 1962. Of the 39 States reporting, gains occurred in 13 and 23 reported losses, and 3 States had the same production.

Beef price influence on milk production is not immediate, but rather

(Continued on Back Page)



Columbus

MARKET FACTS FOR EASY REFERENCE

PRICE SUMMARY

Producers' Uniform Price (3.5%)	
Producers' Uniform Price (4%)	
Class I (3.5%)	
Class II (3.5%)	
Class III (3.5%)	
Class IV (3.5%)	
Producer Butterfat Differential for each one-tenth percent	

UTILIZATION SUMMARY

Percent of Producer Milk in Class I	
Percent of Producer Butterfat in Class I	
Percent of Producer Milk in Class II	
Percent of Producer Butterfat in Class II	
Percent of Producer Milk in Class III	
Percent of Producer Butterfat in Class III	
Percent of Producer Milk in Class IV	
Percent of Producer Butterfat in Class IV	

PRODUCER MILK RECEIPTS

Total Pounds of Producer Milk Delivered	
Average Daily Class I Producer Milk	
Total Number of Producers	
Average Daily Receipts per Producer	
Average Butterfat Test	
Total Value of Producers Milk at Test	
Income per Producer (7 day average)	

GROSS CLASS USE (Pounds)

Class I Skim	
Class I Butterfat	
Class I Milk	
Class II Skim	
Class II Butterfat	
Class II Milk	

AVERAGE DAILY SALES (Quarts)

Milk	
Buttermilk	
Chocolate	
Skim	
Cream	

Dec. 1963	Nov. 1963	Dec. 1962
\$4.62	\$4.73	\$4.36
5.00	5.105	4.72
4.65	4.46	4.31
4.214	4.044	3.889
3.785	3.736	3.673
3.082	3.084	3.047
7.6¢	7.5¢	7.2¢
77.5	83.0	78.0
70.8	77.2	72.6
5.8	7.3	5.6
1.6	2.4	1.8
1.7	2.0	2.0
2.3	2.9	2.9
15.0	7.7	14.4
25.3	17.5	22.7
38,923,732	36,416,781	35,463,855
972,634	1,007,564	892,208
1,366	1,369	1,332
919	887	859
3.96	3.86	3.98
\$1,822,248.68	\$1,654,948.84	\$1,568,452.42
\$301.23	\$282.07	\$265.89
29,059,584	29,141,112	26,631,684
1,092,073	1,085,793	1,026,770
30,151,657	30,226,905	27,658,454
2,243,276	2,637,391	2,006,371
25,533	32,916	24,739
2,268,809	2,670,307	2,031,110
321,794	344,142	297,184
3,993	4,588	4,031
14,393	16,748	13,720
10,858	12,137	11,405
13,093	9,307	9,166

COMPARATIVE STATISTICS



COLUMBUS MARKETING AREA



Dec., 1954 - '63

Year	Receipts From Producers	Average Butter- fat Test	Percentage of Producer Milk in Each Class				Uniform Producer Price (3.5%)	Class Prices at 3.5%				Number of Producers	Daily Average Production
			Class I	Class II	Class III	Class IV		Class I	Class II	Class III	Class IV		
1954.....	22,456,753	4.05	77.2	7.9	4.1	10.8	4.06	4.27	3.87	3.87	3.276	2,152	337
1955.....	23,609,212	4.03	76.9	8.9	4.4	9.8	4.01	4.188	3.788	3.788	3.161	2,096	363
1956.....	23,637,293	3.88	81.0	9.7	3.3	6.0	4.21	4.365	3.965	3.965	3.236	1,966	388
1957.....	24,923,644	3.93	79.9	7.4	4.0	8.7	4.24	4.419	4.019	3.919	3.096	1,863	432
1958.....	23,204,810	4.01	85.1	8.8	1.9	4.2	4.30	4.401	4.001	3.901	2.977	1,712	437
1959.....	27,160,559	4.01	83.4	6.2	2.1	8.3	4.85	4.758	4.358	3.854	3.155	1,693	518
1960.....	28,880,166	3.97	79.8	6.2	1.7	12.3	4.79	4.782	4.382	4.063	3.092	1,545	603
1961.....	32,916,637	3.98	78.0	6.1	1.9	14.0	4.61	4.600	4.200	3.919	3.267	1,329	799
1962.....	35,463,855	3.98	78.0	5.6	2.0	14.4	4.36	4.310	3.890	3.670	3.050	1,332	859
1963.....	38,923,732	3.96	77.5	5.8	1.7	15.0	4.62	4.65	4.214	3.785	3.082	1,366	919

Mixed Changes In Demand for Dairy Products In 1963; Trends To Continue In '64

The Dairy Situation, Economic Research Service USDA, November, 1963

Since World War II, per capita demand for a number of dairy products, particularly some items rich in milkfat, has been declining. This is true despite expanding real incomes. Other products for which demand has declined are pork and eggs. Rising consumer incomes which might have resulted in increased demand for dairy products have been offset by lower prices for competing vegetable fats and a conscious effort on the part of many consumers to limit intake of certain fats.

Changes in the kinds and quantities of dairy products used by consumers over the years have resulted in divergent trends in use of milkfat and solids-not-fat. Milkfat, represented in total per capita consumption of dairy products, amounted to 31.7 pounds in 1935-39, 29.5 pounds in 1947-49, 25.6 pounds in 1957-59, and only 23.7 pounds in 1963. Consumption, measured in terms of solids-not-fat, however, has remained unusually stable, between 44.8 and 43.1 pounds annually in the last decade.

Total civilian consumption of milk in all forms for 1963 is forecast at 117.9 billion pounds milk equivalent (fat solids basis), 1½ billion pounds more than in 1962. Most of the gain is from commercial sources, though CCC donations of dairy products for welfare gained one-fourth billion pounds. Use on farms with milk cows for farm butter and fluid milk and cream will be about 0.6 billion pounds lower than 1962. Gains in sales of

fluid products and American cheese are the major factors providing strength to the demand for dairy products in 1963.

In 1963 consumption of fluid milk products per person is estimated at 310 pounds, 1 pound less than in 1962. January-August 1963 sales data from State and Federal marketing areas show sales of whole milk running about 2 percent above last year and skim sales up about 8 percent, while half-and-half sales were down about 1 percent and fluid cream sales were off 2½ percent. This year, the sales gain offset continued less fluid consumption on farms with milk cows, as the number of persons on such farms declined. About 300 million pounds less milk will be kept for this use on farms with milk cows in 1963 than in 1962.

Use of creamery butter per capita dropped from 7.2 to 7.0 pounds, a new record low, by virtue of the 0.3 pound drop in takings from commercial sources. There was a 0.1 pound rise in distribution from CCC supplies. Consumption declined, margarine consumption increased. Per capita margarine consumption this year will be about 9.4 pounds compared with the 5.6 pounds average in 1947-49. A wider price differential between the 2 products now than existed until the late 1940's is an important reason for shift. Before World War II, the price for butter was normally about twice the price of uncolored margarine; in recent years

the price of butter has been around 2½ times the price of colored margarine. A number of Federal and State laws were repealed in the 1950's to permit freer production and distribution of margarine than prevailed in prior years.

Butter consumption will likely decline again in 1964 following the pattern of recent years. Donations of CCC supplies of butter for civilian consumption are expected to be as great or greater than in 1963, since supplies of butter in Government hands will again be large.

Per capita use of American cheese gained substantially from 1961 to 1962 and gained further in 1963. Distribution from CCC supplies this year was maintained close to last year's record level. Per capita consumption of all cheese has trended upward in the postwar period. Changes in retail meat prices are a factor in cheese consumption but are not likely to change enough to affect cheese consumption next year, which may show another slight gain.

Use of evaporated milk has dropped every year since 1948. That year use was 18.4 pounds per person; in 1963, it apparently will be about 9.5 pounds. Per capita consumption of nonfat dry milk in 1963 is up to about 5.9 pounds per person from 5.6 pounds in 1962. Per capita consumption of ice cream and other frozen dairy products showed a slight increase. These changes probably will continue in 1964.

CONTINUED LARGE MILK OUTPUT . .

(Continued from Page One)

several months delayed. In 1960-61, declining beef cattle prices and increasing dairy price support levels were important factors relating to significant milk production increases for these years. On January 1, 1963, the number of milk cows on farms was down 2.3 percent from a year earlier, compared with a 1 percent decline at the beginning of 1962. The decline in June 1963 milk cow numbers was 2.8 percent below year-earlier levels and was associated with the delayed effects of the favorable beef cattle prices. October 1963 milk production was 9,542 million pounds, 2.0 percent below October 1962, the largest year-to-year change since the 11-month decline began last December.

The end of the current decline in milk production has apparently not yet been reached. However, the additional production in February 1964—a 29-day month—may make about a 300-million-pound increase in totals for the year. Beef cattle prices in 1964 are likely to average close to the 1963 level. Despite a little higher feed prices expected next year, feeding rates will be at record levels. On balance, these factors indicate that production for 1964 will change little from 1963.

STOCKS OF DAIRY PRODUCTS . . . (Continued from Page One)

chases of dairy products during 1963. By the end of the year, commercial stocks likely will drop seasonally to about 4 billion pounds, milk equivalent.

The level of CCC acquisitions and utilization of dairy products is reflected in Government holdings. Government-owned stocks of butter (including butter equivalent of butter-oil) totaled 354 million pounds at the end of 1962. Stocks were 400 million pounds of butter equivalent at the end of September 1963, or 1 percent below a year earlier. They are expected to decline during the rest of 1963 and may decline somewhat further in 1964. At the end of September, Government cold storage holdings of American cheese totaled 42 million pounds compared with 113

million at the end of September 1962. Nonfat dry milk stocks in Government hands totaled 662 million pounds at the end of 1962. Stocks reached 723 million pounds at the end of August but will probably be below 1962 levels at year-end. Some decline also is expected in 1964.

Since the late 1940's, the level and compositions of stocks of dairy products have shifted greatly. Government stocks have fluctuated in response to changes in the support prices, commercial demand, production, and utilization of Government-owned dairy products. Commercial stocks have been relatively stable during this period, but more cheese is stored now to accommodate the curing needed and the larger volume of cheese handled during the year.

Market Quotations

DECEMBER
1963

MINNESOTA - WISCONSIN PRICE SERIES	\$3.16
MIDWEST CONDENSERIES 3.5% per Cwt.	3.136
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Columbus)	3.132
Average Weekly Cheddars price per lb.	.3512
Average price per lb. 92-score butter at Chicago	.5801
Average carlot prices non-fat dry milk solids, roller and spray process, f.o.b. manufacturing plant	.1428

THE

Market Administrators' BULLETIN

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